GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1839
ANSWERED ON:03.08.2000
SOVEREIGN GUARANTEE SCHEME
GANGASANDRA SIDDAPPA BASAVARAJ

Will the Minister of POWER be pleased to state:

(a) whether the Government have recently announced a proposal to offer sovereign guarantee scheme for transmission companies to attract more investments from abroad in Indian power sector;

(b) if so, whether some generating companies who were given , counter-guarantees in the last few years are still searching for investors from abroad; and

(c) the factors which are inhibiting the inflow of Foreign Direct Investment into Indian power sector?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) : The Prime Minister in his speech delivered atthe India-European Union Business Summit at Lisbon, Portugal on June 27, 2000 announced that the Government is willing to consider a new guarantee structure for large transmission projects and power purchase systems as well as accelerating the international competitive bidding (ICB) processfor renovation and modernization of the country`s power generating companies. The details of the new guarantee scheme are being worked out.

(b) : 3 of the 8 fast track power projects which were selected for extension of the counter guarantee of the Government of India have completed construction activities and have commenced generation. 1 project has achieved financial closure and has commenced construction. No report has been received from the promoters of the remaining 4 projects of difficulties in locating investors from abroad for their projects.

(c) : The main factor responsible for the poor inflow of Foreign Direct Investment into the Indian power sector is the poor financial health of the State Electricity Boards and the non availability of adequate payment security mechanism.

The Electricity Regulatory Commissions Act,1998 has facilitated establishment of regulatory commissions in States with a view to rationalise tariffs and subsidies. States have been asked to complete metering within a specified period and chalk out a plan for reduction of transmission and distribution losses. All these steps are expected to improve the financial condition of the SEBs and attract FDI into India`s power sector.

The framework is now available for substantial participation of private enterprises in India`s Power sector. Many States have realised the necessity for reforming the SEBs and have initiated the process of introducing competition. The progress of private investment in power is critically linked to the success of States in rationalizing the tariff, improving the realization of dues and providing a reliable payment security to the private investors.